

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S COMBINED FINAL REPORT REGARDING
THOSE FEE APPLICATIONS WITH NO FEE OR EXPENSE ISSUES
FOR THE TWENTY-NINTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding all the Interim Fee Applications of those firms for which we have no fee or expense issues for the Twenty-Ninth Interim Period (collectively referred to hereafter as the “Applications”).¹

BACKGROUND

1. David T. Austern (“Austern”) was retained as the Legal Representative for Future Claimants. Austern seeks approval of fees totaling \$10,850.00 and expenses totaling \$1,099.52 for his services during the Application Period.

2. Baker Donelson Bearman Caldwell & Berkowitz, P. C. (“Baker Donelson”), was retained as advisor for legislative affairs to the Debtors. Baker Donelson seeks approval of a flat fee totaling \$69,500.00 and expenses totaling \$153.69 for its services from January 1, 2008 through

¹The Twenty-Ninth Interim Period encompasses April 1, 2008 through June 30, 2008 (the “Application Period”).

March 31, 2008 (the “Twenty-Eighth Interim Period”),² and a flat fee totaling \$60,000.00³ and expenses totaling \$66.75 for its services for the current Application Period.⁴

3. Beveridge & Diamond, P.C. (“Beveridge & Diamond”), was retained as special counsel to the Debtors. Beveridge & Diamond seeks approval of fees totaling \$77,219.00 and expenses totaling \$1,458.81 for its services during the Application Period.

4. Blackstone Advisory Services L.P. (formerly known as The Blackstone Group L.P.) (“Blackstone”) was retained as financial advisor to the Debtors. Blackstone seeks approval of fees totaling \$450,000.00⁵ and expenses totaling \$8,417.45 for its services during the Application Period.

5. Capstone Advisory Group, LLC (“Capstone”), was retained as financial advisors to the Official Committee of Unsecured Creditors. Capstone seeks approval of fees totaling \$213,893.00 and expenses totaling \$983.89 for its services during the Application Period.

6. Casner & Edwards, LLP (“Casner”), was retained as special litigation counsel to the Debtors. Casner seeks approval of fees totaling \$57,638.00 and expenses totaling \$38,097.81 for its services during the Application Period.

7. Charter Oak Financial Consultants, LLC (“Charter Oak”), was retained as financial

²For the Twenty-Eighth Interim Period, Baker Donelson lists 47.50 hours worked which computes to an effective hourly rate of \$1,463.16.

³For the current Application Period, Baker Donelson lists 24.0 hours worked, which computes to an effective hourly rate of \$2,500.00.

⁴Under the retention orders currently in effect, Baker Donelson is authorized to charge fees of \$30,000.00 per month. We note that Baker Donelson’s fees did not exceed \$30,000.00 per month during any of the application periods in question. Thus, we have no objection to Baker Donelson’s fees on that basis.

⁵For the Application Period, Blackstone lists 732.90 hours worked which computes to an effective hourly rate of \$614.00.

advisor to the Official Committee of Asbestos Personal Injury Claimants. Charter Oak seeks approval of fees totaling \$147,959.00 and expenses totaling \$108.00 for its services during the Application Period.

8. Conway, Del Genio, Gries & Co., LLC (“Conway”), was retained as financial advisor for the Official Committee of Asbestos Property Damage Claimants. Conway seeks approval of a flat fee totaling \$100,000.00⁶ and expenses totaling \$304.83 for its services from July 1, 2007 through June 30, 2008 (the “Twenty-Sixth Interim Period” through the current Application Period).

9. Day Pitney LLP (“Day Pitney”) was retained as special counsel to the Debtors. Day Pitney seeks approval of fees totaling \$61,240.50 and expenses totaling \$395.75 for its services during the Application Period.

10. Deloitte Tax LLP (“Deloitte”) was retained to provide tax services to the Debtors and Debtors-in-Possession. Deloitte seeks approval of fees totaling \$37,915.00 and no expenses for its services from October 1, 2007 through June 30, 2008 (the “Twenty-Seventh Interim Period” through the current Application Period).

11. Ferry, Joseph & Pearce, P.A. (“Ferry Joseph”), was retained as counsel to the Official Committee of Asbestos Property Damage Claimants. Ferry Joseph seeks approval of fees totaling \$76,689.00 and expenses totaling \$6,802.66 for its services during the Application Period.

12. Foley Hoag LLP (“Foley Hoag”) was retained as special environmental counsel to the debtor. Foley Hoag seeks approval of fees totaling \$47,529.00 and expenses totaling \$1,963.92 for its services during the Application Period.

⁶For the Application Period, Conway lists 297.50 hours worked, which computes to an effective hourly rate of \$336.13.

13. Fragomen, Del Ray, Bernsen & Loewy, LLP (“Fragomen”), was retained as special immigration counsel to the Debtors. Fragomen seeks approval of fees totaling \$11,850.00 and expenses totaling \$8,743.31 for its services during the Application Period.

14. Hamilton, Rabinovitz & Alschuler, Inc. (“HRA”), was retained as consultant to the Official Committee of Asbestos Property Damage Claimants. HRA seeks approval of fees totaling \$4,375.00 and no expenses for its services during the Application Period.

15. Holme Roberts & Owen, LLP (“Holme”), was retained as special environmental counsel to the Debtors. Holme seeks approval of fees totaling \$1,372.50 and expenses totaling \$909.84 for its services during the Twenty-Eighth Interim Period.

16. Kramer Levin Naftalis & Frankel LLP (“Kramer”) was retained as co-counsel to the Official Committee of Equity Holders. Kramer seeks approval of fees totaling \$240,744.75 and expenses totaling \$11,571.63 for its services during the Application Period.

17. Latham & Watkins LLP (“Latham & Watkins”) was retained to provide domestic and international tax planning services to the Debtors. Latham & Watkins seeks approval of fees totaling \$39,118.00 and no expenses for its services during the Application Period.

18. Legal Analysis Systems, Inc. (“LAS”), was retained as asbestos-related bodily injury consultant to the Official Committee of Asbestos Personal Injury Claimants. LAS seeks approval of fees totaling \$256,882.50 and no expenses for its services during the Application Period.

19. Lexecon LLC (“Lexecon”) was retained as asbestos claims consultants to the Official Committee of Equity Security Holders. Lexecon seeks approval of fees totaling \$12,897.50 and no

expenses for its services during the Application Period.⁷

20. Morrison & Foerster LLP (“Morrison & Foerster”) was retained as an ordinary course professional (“OCP”) to provide legal services to the Debtors in regard to representation of the Debtors in state tax litigation. Morrison & Foerster seeks approval of fees totaling \$163,083.75 and expenses totaling \$81,785.02 in excess of its \$50,000.00 monthly OCP cap for its services from April 1, 2007 through June 30, 2007 (the “Twenty-Fifth Interim Period”).⁸ This is the first fee application filed by Morrison & Foerster in the case.

21. Nelson Mullins Riley & Scarborough, LLP (“Nelson Mullins”), was retained as special litigation and environmental counsel for the Debtors. Nelson Mullins seeks approval of fees totaling \$10,739.50 and expenses totaling \$89.51 for its services during the Application Period.

22. The Official Committee of Asbestos Personal Injury Claimants (the “Asbestos Claimants’ Committee”) was formed on April 12, 2001 to represent the interests of the asbestos personal injury claimants in these cases. The Committee seeks approval of expenses totaling \$1,577.46 for its services during the Application Period. All of the expenses were incurred by Committee Member, Motley Rice, LLC.

23. The Official Committee of Asbestos Property Damage Claimants (the “PD

⁷We note for informational purposes that Lexecon’s Application includes 7.0 hours billed by Economist James J. Heckman at the hourly rate of \$1,800.00. In *In re USG Corporation*, Case No. 01-2094 (JKF), Transcript of Proceedings, July 19, 2004, p. 14, we were asked to call to the Court’s attention any instance in which a professional’s rate reaches \$1,000.00 per hour, and thus we are complying with the Court’s request.

⁸Morrison & Foerster billed total expenses of \$181,785.02 during the Application Period. However, Morrison & Foerster has subtracted from its expense request the sum of \$100,000.00 which it was paid as an OCP during the Application Period, thus, leaving a total expense request of \$81,785.02.

Committee”) was formed on April 12, 2001 to represent the interests of the asbestos property damage claimants in these cases. The PD Committee seeks approval of expenses totaling \$2,222.48 for its services during the Application Period. All of the expenses were incurred by Committee Member, Marco Barbanti.

24. Phillips, Goldman & Spence, P.A. (“PG&S”), was retained as local counsel to David T. Austern, Future Claimants’ Representative. PG&S seeks approval of fees totaling \$33,861.00 and expenses totaling \$2,298.75 for its services during the Application Period.

25. Piper Jaffray & Co. (“PJC”) was retained as financial advisor to David T. Austern, Future Claimants’ Representative. PJC seeks approval of a flat fee totaling \$150,000.00⁹ and expenses totaling \$527.47 for its services during the Application Period.

26. PricewaterhouseCoopers LLP (“PwC”) was retained as auditors and tax consultants to the Debtors and Debtors-in-Possession. PwC seeks approval of fees totaling \$327,599.66¹⁰ and expenses totaling \$5,547.36 for its services during the Application Period. In addition, in a separate application, PwC seeks fees totaling \$148,991.34 and expenses totaling \$791.22 for its work on the Darex Puerto Rico Audit.

27. The Scott Law Group, P.S. (“Scott”), was appointed as additional special counsel to ZAI Claimants. Scott seeks approval of fees totaling \$7,232.50 and expenses totaling \$2,489.64 for

⁹For the Application Period, PJC lists 370.90 hours worked, which computes to an effective hourly rate of \$404.42.

¹⁰PwC breaks this amount into two separate fee requests of \$313,560.32 for its accounting and auditing work and \$14,039.34 for fee application preparation.

its services during the Application Period.¹¹

28. Steptoe & Johnson LLP (“Steptoe”) was retained as special tax counsel to the Debtors. Steptoe seeks approval of fees totaling \$288,355.50 and expenses totaling \$2,234.23 for its services during the Application Period.

29. Stroock & Stroock & Lavan, LLP (“Stroock”), was retained as counsel to the Official Committee of Unsecured Creditors. Stroock seeks approval of fees totaling \$653,130.50 and expenses totaling \$26,151.33 for its services during the Application Period, as well as payment of fees and costs of \$38,896.84 for Navigant Consulting (“Navigant”), an asbestos issues expert.¹²

30. Sullivan Hazeltine Allinson LLC (formerly William D. Sullivan, LLC) (“Sullivan”) was appointed as local counsel to ZAI Claimants. Sullivan seeks approval of fees totaling \$18,192.00 and expenses totaling \$6,934.81 for its services during the Application Period.¹³

¹¹We note that the Court initially set a total budget for debtors’ counsel and ZAI counsel of \$1.5 million in fees and \$500,000 in expenses, per side, for prosecuting the Science Trial. On July 28, 2003, the Court entered an Order increasing the budget by \$950,000 per side for additional attorney fees and expenses. We note that an Order was entered on September 27, 2004, further increasing the litigation budget in the ZAI Science Trial by \$750,000.00 per side for additional attorneys’ fees and expenses. We note that the fees and expenses of Scott, combined with the other ZAI Claimants counsel, have not exceeded the budget limits set by the Court, and we have no objection to Scott’s fees on that basis.

¹²Pursuant to the Court’s Order Authorizing the Retention of Experts (Docket No. 564) dated June 22, 2001, Navigant, as an expert, is not considered a professional under 11 U.S.C. § 327(a) and is not required to submit fee applications to the court. Accordingly, pursuant to the terms of Paragraph 3 of the Order Appointing Fee Auditor in Accordance with the Court’s Direction (Docket No. 1676) dated March 18, 2002, Navigant’s fees and expenses are beyond the scope of our review, and thus we do not review them.

¹³We note that the Court initially set a total budget for ZAI counsel of \$1.5 million in fees and \$500,000 in expenses for prosecuting the Science Trial. On July 28, 2003, the Court entered an Order increasing the budget by \$950,000 per side for additional attorney fees and expenses. We note that an Order was entered on September 27, 2004, further increasing the litigation budget in the ZAI Science Trial by \$750,000.00 per side for additional attorneys’ fees and expenses. We

31. Towers Perrin Tillinghast (“Towers Perrin”) was retained as actuarial consultants to David T. Austern, Future Claimants’ Representative. Towers Perrin seeks approval of fees totaling \$87,838.00 and expenses totaling \$4,199.58 for its services during the Application Period.

32. Tre Angeli LLC (“Tre Angeli”) was retained as financial advisor to David T. Austern, legal representative for future asbestos claimants. Tre Angeli seeks a flat fee of \$150,000.00¹⁴ and expenses totaling \$239.35 for its services during the Application Period.

33. Woodcock Washburn LLP (“Woodcock”) was retained as special litigation counsel to the Debtors. Woodcock seeks approval of fees totaling \$4,677.00 and expenses totaling \$10.79 for its services during the Application Period.

34. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Applications in their entirety, including each of the time and expense entries included in the exhibits to the Applications, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2008, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the “Guidelines”), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals.

note that the fees and expenses of Sullivan, combined with the other ZAI Claimants counsel, have not exceeded the budget limits set by the Court, and we have no objection to Sullivan’s fees on that basis.

¹⁴For the Application Period, Tre Angeli lists 186.40 hours worked, which computes to an effective hourly rate of \$804.72.

DISCUSSION

31. We have no objections to, or issues with, any of the Applications.

CONCLUSION

35. In summary, for the Application Period, we recommend approval of the following fees and expenses for these Applicants:


- a. Austern - \$10,850.00 in fees and \$1,099.52 in expenses;
- b. Baker Donelson - \$69,500.00 in fees and \$153.69 in expenses for the Twenty-Eighth Interim Period, and \$60,000.00 in fees and \$66.75 in expenses for the current Application Period;
- c. Beveridge & Diamond - \$77,219.00 in fees and \$1,458.81 in expenses;
- d. Blackstone - \$450,000.00 in fees and \$8,417.45 in expenses;
- e. Capstone - \$213,893.00 in fees and \$983.89 in expenses;
- f. Casner - \$57,638.00 in fees and \$38,097.81 in expenses;
- g. Charter Oak - \$147,959.00 in fees and \$108.00 in expenses;
- h. Conway - \$100,000.00 in fees and \$304.83 in expenses for the Twenty-Sixth Interim Period through the current Application Period;
- i. Day Pitney - \$61,240.50 in fees and \$395.75 in expenses;
- j. Deloitte Tax - \$37,915.00 in fees for the Twenty-Seventh Interim Period through the current Application Period;
- k. Ferry Joseph - \$76,689.00 in fees and \$6,802.66 in expenses;
- l. Foley Hoag - \$47,529.00 in fees and \$1,963.92 in expenses;
- m. Fragomen - \$11,850.00 in fees and \$8,743.31 in expenses;
- n. HRA - \$4,375.00 in fees;

- o. Holme - \$1,372.50 in fees and \$909.84 in expenses for the Twenty-Eighth Interim Period;
- p. Kramer - \$240,744.75 in fees and \$11,571.63 in expenses;
- q. Latham & Watkins - \$39,118.00 in fees;
- r. LAS - \$256,882.50 in fees;
- s. Lexecon - \$12,897.50 in fees;
- t. Morrison & Foerster - \$163,083.75 in fees and \$81,785.02 in expenses for the Twenty-Fifth Interim Period;
- u. Nelson Mullins - \$10,739.50 in fees and \$89.51 in expenses;
- v. The Asbestos Claimants' Committee - \$1,577.46 in expenses (all of which is for Motley Rice, LLC);
- w. The PD Committee - \$2,222.48 in expenses (all of which is for Marco Barbanti);
- x. PG&S - \$33,861.00 in fees and \$2,298.75 in expenses;
- y. PJC - \$150,000.00 in fees and \$527.47 in expenses;
- z. PwC - \$327,599.66 in fees and \$5,547.36 in expenses; and an additional \$148,991.34 in fees and \$791.22 in expenses for the Darex Puerto Rico Audit;
- aa. Scott - \$7,232.50 in fees and \$2,489.64 in expenses;
- bb. Steptoe - \$288,355.50 in fees and \$2,234.23 in expenses;
- cc. Stroock - \$653,130.50 in fees and \$26,151.33 in expenses, as well as \$38,896.84 for the fees and expenses of Navigant;
- dd. Sullivan - \$18,192.00 in fees and \$6,934.81 in expenses;
- ee. Towers Perrin - \$87,838.00 in fees and \$4,199.58 in expenses;
- ff. Tre Angeli - \$150,000.00 in fees and \$239.35 in expenses; and

gg. Woodcock - \$4,677.00 in fees and \$10.79 in expenses.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.


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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 26th day of November, 2008.


Warren H. Smith

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